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UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

JOHN CARUSO, Derivatively On Behalf of) No. 2:06-CV-01428-PMP-GWF
SUNTERRA CORPORATION,)
Plaintiff,) STIPULATION AND ORDER OF
DISMISSAL WITH PREJUDICE

vs.

NICHOLAS J. BENSON, JAMES A.
WEISSENBORN, STEVEN E. WEST,
ROBERT A. KRAWCZYK, DAVID
GUBBAY, JAMES H. DICKERSON, JR.,
OLOF S. NELSON, CHARLES F. WILLES,
JOSEPH JACOBS, BRADFORD T.
WHITMORE and FREDERICK SIMON,

Defendants,

-and-

SUNTERRA CORPORATION, a Maryland
corporation,

Nominal Defendant.

1 The parties to the above-captioned shareholder derivative action (the "Action"), through
2 their counsel, hereby enter into this Stipulation of Dismissal With Prejudice, and in support
3 thereof aver as follows:

4 1. On or about November 8, 2006, Plaintiff John Caruso filed a Verified Shareholder
5 Derivative Complaint in this Court on behalf of Sunterra Corporation ("Sunterra") alleging
6 violations of the Sarbanes-Oxley Act of 2002 and Section 14(a) of the Securities Exchange Act
7 of 1934, breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate
8 assets and unjust enrichment. These claims were filed after Sunterra announced that it would
9 restate its financial statements for 2002 through 2005 to account for certain tax liabilities relating
10 to Sunterra's operations and affiliates in Europe.

11 2. On or about March 12, 2007, Sunterra announced that it had signed a merger
12 agreement under which DRS Acquisition Corporation ("DRS"), an affiliate of Diamond Resorts,
13 LLC ("Diamond Resorts"), would commence a tender offer for all of Sunterra's issued and
14 outstanding common stock at a purchase price of \$16.00 per share in cash in a transaction valued
15 at more than \$700 million (the "Tender Offer").

16 3. On March 12, 2007, Plaintiff John Caruso filed a Shareholder Class Action
17 Complaint in the District Court, Clark County, Nevada (the "Caruso State Court Class Action")
18 on behalf of a putative class of all owners of Sunterra's common stock, except defendants and
19 their affiliates. The Caruso State Court Class Action alleged that certain directors and officers
20 breached their fiduciary duties to Sunterra's shareholders and engaged in self-dealing by, among
21 other things, agreeing to the Tender Offer at an inadequate price, under unfair terms and without
22 adequate disclosures. Plaintiff Caruso sought, *inter alia*, a judgment that defendants breached
23 their fiduciary duties by negotiating the merger agreement, that the Tender Offer be enjoined,
24 and that he be awarded damages as well as attorneys' fees and costs.

25 4. On March 13, 2007, Thomas Saullo, who had previously filed a shareholder
26 derivative complaint in the District Court, Clark County, Nevada, filed an Amended Verified
27 Derivative and Class Action Complaint (the "Saullo Class Action"), individually and on behalf
28

1 of a putative class of all owners of Sunterra's common stock, other than defendants and their
2 affiliates, bringing substantially similar claims to those alleged in the Caruso State Court Class
3 Action.

4 5. On April 19, 2007, the state court ordered the Caruso State Court Class Action
5 and the Saullo Class Action consolidated under the caption *In re Sunterra Corporation*
6 *Shareholder Litigation*, Lead Case No. A525433, in the Eighth Judicial District Court for the
7 State of Nevada in and for the County of Clark (the "Consolidated Action").

8 6. On April 20, 2007, the Court stayed this Action.

9 7. Between June 12, 2007 and June 22, 2007, the parties entered into a Stipulation
10 and Agreement of Compromise, Settlement and Release (the "Stipulation of Settlement") which
11 resolves this Action as well as the Consolidated Action.

12 8. Pursuant to the terms of the Stipulation, notice to Sunterra shareholders is being
13 provided in the Consolidated Action, and such notice explicitly references and discusses this
14 Action. The parties believe that this notice adequately apprises shareholders of the dismissal,
15 with prejudice, of this Action. A copy of the Stipulation is attached hereto as Exhibit A. The
16 Stipulation is subject to approval of the court in the Consolidated Action following notice to the
17 shareholders and an opportunity to object.

18 9. The parties respectfully request that the Court enter this Order dismissing the
19 Action with prejudice.

1 DATED: July 20, 2007

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3 /s/

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Defendant Sunterra Corporation

DATED: July 20, 2007

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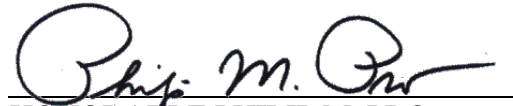
Attorney for Defendant Nicholas J. Benson

9
10 It is hereby ORDERED, ADJUDGED, AND DECREED:

11 Pursuant to the foregoing Stipulation of Dismissal with Prejudice, this Action is
12 dismissed with prejudice. Each party will pay its own fees and costs, except as otherwise
13 provided in the Stipulation of Settlement.

14 IT IS SO ORDERED.

15
16
17 DATE: July 23, 2007

18 
HONORABLE PHILIP M. PRO
UNITED STATES DISTRICT JUDGE